

## DENMARK

## POLITICAL FACT SHEET

FILE

## General

Denmark is a Constitutional Monarchy with a unicameral parliament called the Folketing. The Head of Government is Prime Minister Poul Schlueter, a Conservative. Parliamentary elections must be held at least once every four years, and political party representation in parliament is proportional to the number of votes received in the general election. The last election, held in September 1987, yielded the following results:

	Seats in Parliament	Percent of Vote
<b>Nonsocialist Parties in Government</b>	<b>70</b>	<b>38.5%</b>
Conservative Party	38	20.8%
Liberal Party	19	10.5%
Center Democrats	8	4.8%
Christian Peoples Party	4	2.4%
<b>Support Parties</b>	<b>16</b>	<b>11.0%</b>
Radical Liberal Party	11	6.2%
Progress Party	9	4.8%
<b>Socialist Opposition</b>	<b>85</b>	<b>46.1%</b>
Social Democratic Party	55	29.3%
Socialist Peoples Party	27	14.6%
Common Course Party	4	2.2%
<b>Other</b>	<b>4</b>	<b>4.1%</b>
Greenland Home Rule Authority	2	--
Faroe Islands	2	--
Other	-	4.4%
<b>TOTAL</b>	<b>179</b>	<b>100.0%</b>

Key Cabinet members are:

Prime Minister.....Poul Schlueter (Cons.)  
 Foreign Minister.....Uffe Ellemann-Jensen (Lib.)  
 Defense Minister.....Bernt Johan Collet (Cons.)

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**DENMARK****ECONOMY****General**

The Danish economic outlook is deteriorating, and a recession appears inevitable during the next two years. The government's latest forecast predicts a fall in GDP of 0.75 percent in both 1987 and 1988. Private forecasters are more pessimistic--and in our view, more realistic--in calling for negative economic growth of over 2 percent.

- The contraction is largely the result of four government austerity packages over the past two years which have curbed overall domestic demand. Both private consumption and business investment are falling and reduced international competitiveness will keep exports stagnant.
- After falling below 8 percent last year, unemployment has been rising steadily and is likely to continue rising to above 9 percent in 1988. The inflation picture remains bright with consumer prices likely to rise by less than 4.5 percent, up from 3.6 percent last year.

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**Economic Policy**

Since coming to power in 1982, the Schlueter government's main economic policy goals have been to increase production and employment, restore price stability, and eliminate the persistent current account deficit. The government's program successfully resurrected the economy but the tough measures are now having a negative impact.

- Copenhagen's tight fiscal policy has reduced the size of the public sector, and government spending has been virtually unchanged in real terms since 1982. The 1988 central government budget calls for a deficit of \$225 million or 0.2 percent of GDP and the general government balance will be in surplus for the third consecutive year. Nevertheless, the Danish tax burden is rising and, with taxes accounting for over 50 percent of GDP, remains the second highest in the OECD.
- The government adopted a firm exchange rate policy to increase business confidence and reduce inflationary expectations and interest rates. After repeated devaluations in the 1970s and early 1980s, the kroner has generally maintained its position in the EMS for the past four years.
- Copenhagen recently announced a series of measures designed to boost exports. The government will rely primarily on tax relief for exporting industries. Private economists are estimating the package will boost Danish competitiveness, increase investment in export industries, and lead to a rise in employment of as much as 10,000.

**International Trade**

Denmark has run a current account deficit for most of the last quarter century. In 1986, the deficit hit a record \$4.3 billion, or 5.2 percent of GDP. The country's foreign debt has risen to 120 percent of exports and net interest payments now account for 75 percent of the current account deficit.

- Government efforts to reduce the current account deficit are having a positive effect. There was a \$142-million surplus for the first five months of the year--compared to a \$1-billion deficit a year earlier--and the current account probably will be in deficit by only \$3 billion in 1987, and less in 1988.
- Exports account for about 32 percent of Denmark's GDP. Over 60 percent of merchandise export earnings are from the sale of manufactured goods, with foodstuffs--primarily meat and fish--accounting for another 31 percent. Exports grew by only 1.6 percent in volume terms in 1986. The United States is Denmark's fourth largest trading partner, accounting for 8.4 percent of Danish exports in 1986. Principal exports to the US are meat, furniture, and machinery. [redacted]

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**Bilateral Economic Issues**

There are no outstanding economic disputes between the United States and Denmark. Nevertheless, because Denmark has the Presidency of the EC, Danish leaders are likely to raise a number of trade matters.

- Danish leaders are hoping to avoid any confrontations between the US and the EC during the remaining months of its presidency. They believe more communication is needed to avoid future trade disputes and have expressed concern over pending US trade legislation.
- Danish officials are strongly pushing for an accord on agricultural hormones and hope the US will agree to a delay in implementation.

## DENMARK

## FOREIGN POLICY

**Stalemate on Security Policy**

Although the Conservative Party heads a nonsocialist, pro-NATO government, the Social Democratic Party is able to command parliamentary majorities for its leftist positions on security issues. This situation has led to stifled government initiatives and binding parliamentary restraints that have made Denmark a somewhat weak and ineffectual Ally on security issues.

- **Defense spending** has not increased in recent years, falling far short of NATO's target of 3 percent annual growth. Later this year, Parliament will decide on funding levels through 1992. The Social Democrats will probably succeed in pushing through a "no-growth" defense budget, thus furthering the decline of Denmark's military capability.
- The Danish Parliament has passed numerous resolutions on **Alliance nuclear policies and SDI** that have forced the government to formally express its reservations about the content of NATO communiques.
- Similar leftist pressure has led to Danish support for Nordic discussions on the establishment of a **Nordic Nuclear-Weapons-Free Zone**. The Nordic Foreign Ministers have established a standing high-level "working group" to prepare a regional study of the concept. Pro-NATO Norwegians and Danes bill the working group as a way of "studying the issue to death," but keeping the issue alive risks creating momentum that may later be difficult for the Nordics to overcome.

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**Greenland Early Warning Radar**

Recent qualitative improvements to the US warning radar in Thule, Greenland, sparked debate in Denmark over whether the upgrade was related to future SDI deployment and might violate the ABM Treaty.

- The Social Democrats cooperated with the Government and Greenland's Home Rule Authority to override leftist attempts to block the radar upgrade and impose Danish-Greenlandic oversight of the U.S. bases. Dispute over the radar issue split Greenland's Home Rule coalition, however, forcing an early election and the **establishment of a Foreign Affairs Committee in the Greenlandic Home Rule Assembly**.

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**DENMARK**

**DOMESTIC AFFAIRS**

**Election Weakens Schlueter Government**

The Conservative-led coalition emerged from the September 1987 election significantly weakened, dependent on the parliamentary support of the center-left Radical Liberal Party and the far right Progress Party.

- Schlueter is proceeding cautiously to build **issue-by-issue majorities** for his policies. If he aggravates disagreements over policy between Progress and the Radicals, this **could bring down the government and force a new election.**
- The September election's **biggest winner was the anti-NATO Socialist Peoples Party**---gaining almost 15 percent of the vote and becoming Denmark's third largest party. It would probably gain even more if a government crisis led to a new election.
- The **Social Democratic Party**--still Denmark's largest--**fared poorly** in the election as leftwing voters turned to the Socialist Peoples Party. As a result, former Prime Minister Jorgensen turned over the party Chairmanship to Deputy Chairman Auken. Auken leans more toward the center than Jorgensen, but pressure from the aisles may pull the party even further toward the left.

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6

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